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## How a cup of coffee can set you back an extra \$34

USA TODAY - McLean, Va.

Author: Anonymous

Date: Jun 23, 2008

Start Page: A.11

Section: NEWS

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### Document Text

Bankers like to say that covering overdrafts for debit card customers — and charging them up to \$34 a pop — is a special service. But the thing it serves best is the bank's bottom line.

Last year, the nation's banks and credit unions raked in about \$40 billion in overdraft fees on consumers, about a third of that on debit cards, according to Michael Moebs of Moebs Services, an economic research firm.

A 2007 internal memo from Wachovia, one of the nation's largest banks, underscores the banks' addiction to this easy money. The memo, obtained by USA TODAY's Kathy Chu, warned employees not to refund too many overdraft fees because they "make up a big percentage of our revenue" and are a "HOT button among leadership."

It's a hot button, too, for consumers, who sometimes discover they have this "service" only after they get socked with fees for making debit card purchases while inadvertently overdrawing an account. A consumer could use a debit card to pay for coffee, a DVD rental and a drugstore item and easily rack up \$102 in fees when a bank automatically covers the three purchases.

The fees often hit those who can least afford them, among them seniors who rely heavily on Social Security, according to a report last week by the Center for Responsible Lending, a non-profit consumer advocacy group.

As banks' profits have dwindled and debit cards have grown ubiquitous, institutions have found a steady stream of revenue, and they're milking it for all they can get:

\* This year, Bank of America and Washington Mutual hiked their overdraft fees and raised from five to seven the maximum number of times a day a customer could be dinged. Bank of America's fee is now \$25 on the first day a customer overdraws; Washington Mutual's is \$34 in most states.

\*While many banks say they give customers the right to "opt out" of this automatic overdraft coverage, the Federal Reserve Board is concerned that disclosures aren't adequate. They may be hidden in incomprehensible agreements that customers don't read.

\*Banks say they've made it easier for consumers to track their balances to avoid fees. True, that's the customer's responsibility, and people shouldn't spend more than they have. But the Federal Reserve found that even diligent customers might have trouble keeping track. They don't know, for instance, precisely when a deposit will be made available.

The most straightforward solution is to decline debit card charges at the register when there's not enough money in an account to cover them. But ask bankers about that, and it's tough to get a straight answer.

A Wachovia spokesman said it could decline a debit purchase when funds aren't available, if a customer asks to turn off the automatic overdraft service. That's what banks used to do in the 1990s. Technology hasn't exactly gone backward since then, so it should be feasible today.

The Federal Reserve and Congress are seeking reforms. The Fed's proposal to mandate an understandable opt-out is a step forward but doesn't go far enough. A House measure would bar banks from foisting this service on customers unless they consent in writing. That makes sense.

Burdensome fees on consumers living close to the edge in tough economic times serve no one's interest but the bank that's reaping the profits.

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#### Abstract (Document Summary)

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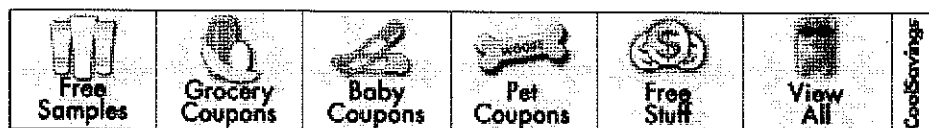
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## Fees are a deterrent

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### Document Text

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Keeping track of your checking account is easier than ever before: Consumers can access their accounts 24 hours a day, seven days a week -- either in a bank branch, at an ATM, by telephone or Internet and, in some cases, even by cellphone.

Even with all that convenience, many of us have overdrawn our accounts at one time or another. While overdrafts are not unusual, they are a serious matter -- people writing checks or making debits without the money to cover them. Overdraft fees are meant as a deterrent. Overdrafts slow down our nation's efficient payment system and increase costs for everyone. Just as a parking ticket discourages a driver from parking in a handicapped spot, overdraft fees are meant to discourage customers from overdrawing their accounts.

Fortunately, most customers manage their accounts well. A 2007 survey we conducted with Ipsos-Reid research found that 80% of account holders paid no overdraft fees the previous year. Of those who did, 88% said they were glad the bank covered their payments.

Can you imagine a midnight run to the grocery store for baby formula, then finding your purchase is declined because your account was overdrawn? Or the embarrassment of not being able to pay for a restaurant meal? Most consumers would prefer the payment go through even if they have to pay an overdraft fee.

Banks provide numerous ways to avoid overdrawing your account and incurring fees. Here are some tips:

- \*Keep track of your balance, transactions and automatic payments. Remember, your balance might not reflect transactions you've authorized that haven't reached the bank.

- \*Ask for e-mail or text alerts when your balance drops below a certain level.

- \*Use direct deposit for immediate access to your paycheck.

- \*Keep a "cushion" of extra money in your checking account.

- \*Link your checking account to a savings account, credit card or line of credit.

- \*If you make an honest error, talk to your bankers. Often, they'll waive the fee.

- \*Change banks if yours doesn't offer the services you want. That's the beauty of competition.

Edward Yingling is president and CEO of the American Bankers Association, a trade group representing banks across the nation.

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### Abstract (Document Summary)

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